

## **IDENTIFICATION OF REASONS FOR USING OUTSOURCING IN ORGANIZATIONS FUNCTIONING IN THE POLISH MARKET**

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**ABSTRACT:** The article presents the thematic scope related to the use of outsourcing in organizations' management, especially taking into account reasons for its use. Potential reasons of using outsourcing in organizations in the Polish market are described in the first part of the article. The results of the survey of the reasons why outsourcing is used in organizations functioning in the Polish market are presented in the follow-up. The survey has been carried out among 140 organizations functioning in the Polish market which were chosen at random. Reasons mentioned by organizations were: employment reduction, increased focus of the company on its basic activity, the reduction of constant expenses, making the benefits resulting from restructuring appear faster. The article presents some reasons of using outsourcing in the Polish and British market.

**KEY WORDS:** outsourcing, the Internet, organization's competence, crisis

### **1 INTRODUCTION**

Changes taking place in the market and numerous regulations, including legislative ones, in many areas of activity cause the company to reassess thoroughly if such an accumulation of operational functions is profitable. It makes companies return to their basic operations and functions more and more frequently and sometimes it causes companies to make the chain of values which, is under company's direct control, shorter. [3]

This is the reason why outsourcing is still an effective method for seeking the best competences for a chosen organization. Among many possible types of outsourcing the profoundness of relations between the principal and contractor is the basic identifying criterion.

Many managers perceive outsourcing as a method allowing changing the structure of a corporation into a flexible structure which improves its particular areas, including optimization of relations with clients.

According to the British survey [3] there is an explicit trend that many correlations between principals and contractors assume a form of cooperation, including alliances, joint ventures.

Modern methods of communication, including the Internet, have an important influence on the course of outsourcing development in organization's functioning.

The results of the survey carried out among 140 organizations, chosen at random, of different sectors are used in the article.

### **2 REASONS FOR USING OUTSOURCING IN ORGANIZATIONS FUNCTIONING IN THE POLISH MARKET**

The following reasons of using outsourcing were suggested, as initial ones, in the survey. It must be stated that no significant alteration of the suggested reasons of using outsourcing has been made during the survey.

The following reasons were suggested:

1. Variable costs reduction.

2. Constant costs reduction.
3. The exchange of constant costs for variable costs.
4. Employment reduction.
5. Increased focus of the company on its basic activity- seeking the best competences for the whole organization, as well as for its particular areas of functioning.
6. Obtaining the best quality for the industrial capacity, including the elimination of 'quality bottlenecks'.
7. The possibility to hand over one's assets to other purposes which are not necessary to implement the defined organization's functions and areas – forming joint ventures possible with the help of handed over assets of alliances.
8. Obtaining the assets which the company does not own, including: technical equipment, information systems, license, technologies, know-how (e.g. in financial-tax area).
9. Making the benefits, resulting from managing an organization being in crisis, appear faster.
10. Accomplishment of difficult functions, which evoke negative economical and social aspects, create inadequate image of an organization, evoke conflicts in an organization which lead to a critical situation.
11. Obtaining capital which the contractor is able to invest implementing the functions and areas of the principal.
12. The share of risk between the contractor and principal.
13. The possible access to financial resources, for example in the aspect of financing current assets (opening a purchase credit line for the principal).
14. Making use of legislation, including tax legislation in particular regions of Poland, EU countries and countries outside Europe.

The reasons shaping division has been worked out on the basis of the carried out survey of reasons for using outsourcing. The results show that the most frequent reasons of using outsourcing are:

- redundancy,
- increased focus of the company on the basic activity,
- the acceleration of benefits resulting from managing the organization which is in crisis

Employment reduction which results from the use of outsourcing has the biggest share. It confirms that the most difficult problem in the process of managing organizations is an excessive employment (adjustment of employment to the implementation of organization's current aims in the function of environment's dynamics). Efforts were made to solve this problem by means of using outsourcing.

The survey results show that the reason: increased focus of the company on the basic activity has a big share. Managers showed, during the survey, that only the use of outsourcing, setting auxiliary, service or even not bound with the basic activity areas allows them to focus on the basic areas – gain the best competences, e.g. with regard to costs. At the same time, they pointed at the increased effectiveness of new subsidiary companies by means of concentrating on the commissioned and set function, the area treated as the basic function of a subsidiary company.

The role of the reason: Making the benefits, resulting from managing an organization being in crisis, appear faster is of a great interest. It is based on the fact, that organizations perceive outsourcing as a method which makes the restructuring process more effective.

What surprises most is the fact that the reason: The exchange of constant costs for variable costs does not play an important role. It is surprising as the exchange of constant costs for variable cost allows a flexible reaction to the organization's environment dynamics and reduces the risk of being in a business.

A significant share of constant costs in manufacturing costs is an important cause of crisis in many organizations. It seems that the decisive role in such a perception of the above-mentioned reason is the lack of understanding of outsourcing and the appropriate use of these methods in organizations' functioning.

Knowing different possible types of outsourcing and selecting appropriate types of outsourcing for a specific organization is a very important element in this aspect. The survey has shown the managerial staff often thinks that the use of outsourcing solves the problem after spinning off one or a few subsidiary companies and they do not take into account the basic area of organization's activity.

The results of the survey also show that the reason: making use of legislation, including tax legislation in EU and non-European countries is also considered not to play an important role. This shows little understanding and the lack of use of particular globalization elements, in this case legal aspects.

Among other reasons of using outsourcing, the reason connected with the use of modern technologies of communication, including the Internet has not been frequently indicated.

### 3 CONCLUSION

The results of the surveys confirm that the reasons of using outsourcing in organizations in the Polish market and the results of surveys, carried out by the British authors [3], of reasons for using outsourcing in organizations functioning in the European market, are convergent.

The British surveys present service cost cutting as the first item among reasons of using outsourcing, while Polish organizations indicate employment reduction. Such results confirm that outsourcing in Polish conditions is used mainly instrumentally, especially in the prospect of tactic and not strategy of organization functioning.

The above mentioned result, as a very characteristic for organizations functioning in the Polish market, is determined, among others, by:

- excessive employment in particular organizations
- low contribution of flexible employment contract forms between an employer and employee
- enormous problems when solving staff problems in case of the crisis in the organization, including the lack of outplacement projects.

A negative phenomenon is the fact that among reasons /additionally indicated by organizations which took part in the survey/ of using outsourcing by organizations functioning in the Polish market such as: gaining the access to professional knowledge and improving the quality of products or service were indicated as reasons of rather small significance. Especially, having the access to professional knowledge can determine the functioning of an organization in a turbulent environment. Outsourcing projects which create access to the latest know-how increase innovative behavior – principal's, as a whole, individual employees', as well as the staff teams' of a given organization.

Using outsourcing is one of the most effective methods of creating an improving organization by means of internal and external resources.

Using outsourcing /making use of external resources of an organization/ generates a new value for an organization, which puts work out, as a whole and its chosen areas and functions.

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